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Message Text

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43
ACTION AF-18

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SAM-01 EB-11 COME-00 TRSE-00 AGR-20 AID-20

A-01 OPR-02 SY-10 SCS-03 SCA-01 PER-05 PC-10 NIC-01

OMB-01 DRC-01 /183 W
---------- 121907
R 070930Z FEB 74
FM AMCONSUL LUBUMBASHI
TO AMEMBASSY KINSHASA
INFO SECSTATE WASHDC 1451
AMCONSUL BUKAVU
AMCONSUL KISANGANI

C O N F I D E N T I A L LUBUMBASHI 62

E.O. 11652: GDS
TAGS: ECON, EFIN, CG
SUBJ: SHABA ECONOMIC SITREP NUMBER 4

BEGIN SUMMARY: SHABA'S ECONOMIC SITUATION CONTINUES DOWNWARD DRIFT. WHOLESALE AND RETAIL TRADE LESS THAN ONE THIRD NORMAL. SHORTAGES OF WHEAT AND CORN FLOUR CONTINUING. RATE OF BUSINESS TAKE-OVERS INCREASES. END SUMMARY.

1. FOR WEEK ENDING FEBRUARY 8 ECONOMIC ACTIVITY IN SHABA REMAINS DEPRESSED WITH SALES ONLY 20-30 PERCENT NORMAL. ONE LARGE WHOLESALER OF CONSTRUCTION MATERIALS REPORT THAT SALES DURING PAST 2 MONTHS WERE 5 PERCENT NORMAL VOLUME. ECONOMIC SLOW-DOWN HAS CAUSED EVEN LARGEST COMMERCIAL COMPANIES TO EXPERIENCE SERIOUS DIFFICULTIES. AFTER ITS ANNUAL JANUARY SHUT-DOWN FOR MAINTENANCE, SOLBENA, TEXTILE MANUFACTURER EMPLOYING 1200, STILL HOLDS TWO MONTHS EXCESS STOCK. UNLESS SALES IMPROVE DRAMATICALLY WHICH NOT IN CONFIDENTIAL

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PROSPECT, SOLBENA WILL BE UNABLE TO CONTINUE OPERATING AFTER

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THE END OF THE MONTH. AMATO FRERES, ANOTHER LARGE TEXTILE MANUFACTURER, IS IN A SIMILAR POSITION.

2. THE WEEK HAS SEEN CONTINUING TAKE-OVERS BOTH BY PRIVATE INDIVIDUALS AND BY QUASI-GOVERNMENTAL ORGANIZATIONS. THE ACTING REGIONAL COMMISSIONER INFORMED SHABA MILL OWNERS FEBRUARY 4 THAT THEY WERE HENCEFORTH "DEPENDENT UPON" THE NATIONAL OFFICE OF CEREALS, I.E. NATIONALIZED. COMMISSIONER DID NOT DISCUSS INDEMNIFICATION, MANAGEMENT, OUTSTANDING DEBTS, OR THE GRAIN SUPPLY PROBLEMS. ONE OF THE MILLS, TARICA FRERES, HAD JUST COMPLETED A $400,000 EXPANISION PLAN AND IS SAID TO HAVE BEEN COVERED BY A CONVENTION UNDER THE 1969 INVESTMENT CODE.

3. ON FEBRUARY 2 A COMMISSAIRE DU PEUPLE AND GECAMINES DIRECTOR VISITED THE AMERICAN OWNED MERCHANTILE AFRICAINE WITH A LETTER FROM THE MINISTER OF NATIONAL ECONOMY ORDERING THAT THE BUSINESS BE TURNED OVER. WHEN THE AMERICAN OWNER SHOWED HIM DOCUMENTATION, ALSO FROM THE MINISTER OF NATIONAL ECONOMY, CONCERNING HIS EXEMPTION FROM THE ECONOMIC MEASURES, THE CLAIMANT WITHDREW TO SEEK CLARIFICATION.

4. PRINCIPAL BENEFICIARIES OF "ZAIRIANIZATION" APPEAR TO BE INFLUENTIAL AND WELL PLACED, ESPECIALLY POLITICIANS VIA THEIR FAMILIES. WIFE OF THE STLL ABSENT REGIONAL COMMISSIONER IS NOW THE OWNER OF THE LARGEST IMPORTER/WHOLESALER OF FOOD IN THE REGION (SOCO), ANOTHER WHOLESALE OUTLET, A JEWELRY SHOP, AND SEVERAL HOUSES. WIFE OF ACTING REGIONAL COMMISSIONER LOPOSSO IS NEW OWNER OF AT LEAST ONE RETAIL FOOD STORE. NGUZA KARL-I-BOND REPORTEDLY RECEIVED THE AMATO FRERES SOAP AND COOKING OIL FACTORIES; AMBASSADOR LENGEMA NOW OWNS ANGEVAN (A LARGE IMPORTER/WHOLESALER OF FOODSTUFFS); AND FORMER KATANGA MINISTER OF FINANCE KIBWE REPORTEDLY HAS BEEN REHABILITATED AND RECEIVED COVEMA.

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5. LESSER LIGHTS NOT PRIVILEGED TO SHARE IN THE BOUNTY ARE BEGINNING TO COMPLAIN. PERHAPS THERE IS STILL HOPE FOR SOME OF THEM SINCE VICE PRESIDENT OF LOCAL ANEZA BRANCH ESTIMATES OVER 400 BUSINESSES WILL BE TAKEN OVER BEFORE THE END OF MONTH.

6. CONDUCT OF NEW OWNERS HAS RANGED FROM CORRECT AND BUSINESSLIKE TO VERY UNCIVIL. SOME HAVE

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PROMISED TO HONOR OUTSTANDING DEBTS AND REQUESTED
FORMER OWNERS REMAIN, AT LEAST FOR A WHILE, TO MANAGE
BUSINESSES AT ATTRACTIVE SALARIES. OTHERS HAVE
RENOUNCED THEIR NEW COMPANIES LIABILITIES,
EMPTIED CASH BOXES, TAKEN CARS, AND EVEN DEMANDED
THAT THE FORMER OWNERS EMPTY THEIR POCKETS AND
MOVE OUT OF THEIR HOMES.

7. WHILE STOCKS OF MOST IMPORTED GOODS ARE GENERALLY
ADEQUATE FOR MOMENT, SERIOUS SHORTAGES LIKELY BEGIN
TO OCCUR WITHIN 4-8 WEEKS BECAUSE, EXCEPT FOR FOOD,
FEW NEW IMPORT ORDER HAVE BEEN PLACED SINCE NOVEMBER 30.
THE SHORTAGE OF BOTH WHEAT AND CORN FLOUR CONTINUES.
WHEN OBTAINABLE, SACK OF CORN FLOUR WHICH LEGALLY
SELLS FOR Z3.45, COSTS Z10 ON BLACK MARKET. IT
HAD PREVIOUSLY BEEN BELIEVED THAT THE REGION'S
LARGEST MILL, MINOTERIES DE KAKONTWE, WOULD BE
PLACED UNDER CONTROL OF GECAMINES WHICH WOULD
SUBSIDIZE ITS IMPORT OF CORN. WITH FEBRUARY 4
ANNOUNCEMENT THAT MILLS WOULD BE UNDER DIRECTION
OF NATIONAL OFFICE OF CEREALS, SUBSIDY ARRANGEMENTS
COLLAPSED. NEWSPAPERS HAVE NOT MENTIONED THE
NATIONALIZATION OF THE MILLS, PREFERRING THAT THE
PUBLIC BLAME THE FORMER EUROPEAN OWNERS FOR UPCOMING
FSORTAGES.

8. EVEN GECAMINES IS BEING INDIRECTLY AFFECTED BY
THE NEW ECONOMIC MEASURES. LAST YEAR IT LOST ABOUT
150 FOREIGN TECHNICIANS, INCLUDING 30-35 ENGINEERS,
MAY OF WHOM IT HAS BEEN UNABLE TO PLACE DUE TO
THE IMPOSSIBILITY OF OBTAINING NEW LABOR PERMITS.
(WE UNDERSTAND THAT THE ORGANIZATION WHICH ISSUEDLABOR PERMITS
WAS ABOLISHED AND A NEW ORGANIZATION HAS NOT YET BEEN ESTABLISHED).
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9. THE ZAIRIAN GOVERNMENT HAS OBTAINED A LIST OF
HOLDERS OF SAFETY DEPOSIT BOXES AND, IN MANY CASES,
HAS FORCED THE OWNERS TO OPEN THE BOXES FOR
EXAMINATION. PREDICTABLY, THE GOVERNMENT AGENTS
DISCOVERED UNDECLARED FOREIGN CURRENCY AND, IN A
FEW CASES, EVEN FIREARMS, IN ADDITION TO PERSONAL
DOCUMENTS WHICH WERE OPENED AND READ.

10. AS OF FEBRUARY 4 THERE HAD BEEN A TIGHTENING
OF THE BORDER WITH EXIT BEING DENIED THOSE FOREIGNERS
WITH KNOWN OUTSTANDING DEBTS, THOSE WHO REFUSED TO
OPEN THEIR SAFETY DEPOSIT BOXES, THOSE DEEMED VITAL
TO THE ECONOMIC FUNCTIONING OF THE NATION, AND
PRESUMABLY, GREEKS AND PORTUGUESE.

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11. BOMBARDED ALMOST DAILY NEWSPAPER ARTICLES CONDEMING FOREIGN ENEMIES AND SABOTEURS, THE MOOD OF THE FOREIGN COMMUNITY RANGES FROM RESIGNED TO SERIOUSLY DEPRESSED. HAVING LITTLE FAITH IN GOVERNMENT PROMISES OF INDEMINIFICATION FOR THEIR BUSINESSES, MANY WOULD BE CONTENT TO LEAVE ZAIRE IMMEDIATELY TAKING ONLY THEIR PERSONAL POSSESSIONS. ONE CURRENT RUMOR, PERHAPS BASED ON WISHFUL THINKING, IS THAT THE BELGIAN GOVERNMENT IS PREPARED TO REDUCE ITS TECHNICAL ASSISTANCE PROGRAM TO ZAIRE AND TO USE THE MONEY TO PARTIALLY COMPENSATE THE BELGIAN FORMER OWNERS OF NATIONALIZED ENTERPRISES.
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